A Review of Literature on Promotion Mix Strategies of Life Insurance Companies

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INTRODUCTION

Insurance market in India has evolved significantly after the liberalization policy, of 1999, allowing participation by private companies and business groups. This was more so in life insurance sector, which witnessed most of the action. Twenty four private companies are operating today in the life insurance sector.

The life insurance industry in India dates back to 1818, when a British firm Oriental Life Insurance Company opened its office in Kolkata, followed by Bombay Life Assurance Company in 1823. During the British rule in India, The Indian Life Assurance Companies Act was enacted in 1912, which was followed by the Indian Insurance Companies Act, 1928 enabling government to collect the data regarding life and nonlife business conducted by both Indian and foreign insurance companies. The 1928 act was amended and a new act, Insurance Act was formed in 1938. By the mid-1950s, 154 Indian insurers, 16 foreign insurers and 75 provident societies were operating in the country. The life insurance business was concentrated in urban areas and was confined to the higher strata of the society. In 1956, management of these companies was taken over by the Government of India. LIC was formed in September 1956 through the LIC Act 1956 with a capital of Rs.50 million. One of the main objectives of forming LIC was to spread the insurance cover and make it available to the lower segments of the society. In 1972, government formed General Insurance Corporation (GIC) when it took over management control of 106 private general insurance companies. Over the years, LIC expanded its network all over the country, emerging as one of the largest corporations in India.

The life insurance sector in India was opened to private participation in year 2000 and many companies that were waiting for long, jumped into the market. These are as listed below:

Private Players in Indian Insurance Market:

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>INDIAN PARTNER</th>
<th>FOREIGN INSURER</th>
<th>AREA</th>
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<tr>
<td>Birla Sun Life</td>
<td>Aditya Birla Group</td>
<td>Sun Life, Canada</td>
<td>Life</td>
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<td>Om Kotak</td>
<td>Kotak Mahindra Finance,</td>
<td>Old Mutual, South Africa</td>
<td>Life</td>
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<td>HDFC Standard Life</td>
<td>HDFC</td>
<td>Standard Life, UK</td>
<td>Life</td>
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<td>Royal Sundaram</td>
<td>Sundaram Finance</td>
<td>Royal Sun, UK</td>
<td>Life and</td>
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<td>ICICI Prudential</td>
<td>ICICI</td>
<td>Prudential, UK</td>
<td>Non-Life</td>
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<td>Max New York Life</td>
<td>Max India</td>
<td>New York Life, USA</td>
<td>Life</td>
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<td>Tata-AIG</td>
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<td>AIG, USA</td>
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<td>Non-Life</td>
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<td>ING Vysya</td>
<td>Vysya Bank</td>
<td>ING Insurance, Netherlands</td>
<td>Life</td>
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<td>Aviva Life</td>
<td>Dabur</td>
<td>CGU Life, UK</td>
<td>Life</td>
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<tr>
<td>MetLife India</td>
<td>Jammu &amp; Kashmir Bank</td>
<td>MetLife, USA</td>
<td>Life</td>
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<tr>
<td>Bajaj Allianz</td>
<td>Bajaj Auto</td>
<td>Allianz Life</td>
<td>Life</td>
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<tr>
<td>SBI Life Insurance</td>
<td>SBI</td>
<td>Cardiff, France</td>
<td>Life</td>
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Source: [www.knowledgedigest.com](http://www.knowledgedigest.com)
Establishment of LIC of India in 1956 and opening of the life insurance sector to private participation in year 2000 were the two cornerstones that changed the entire complexion of the insurance market in India.

Analysts commented that the private insurers seemed all set to make the industry marketing-driven, wherein technical and service excellence would be the key factors of success. The private companies, in a bid to make their presence felt and their brand noticed, initiated a series of aggressive marketing and promotion activities. Such frenzy prompted IRDA to frame an advertisement code for companies (Refer to Exhibit I). Since LIC was a government owned body, there was an element of security embedded in its services and products and this was strongly perceived by majority of the Indian masses. It proved to be the biggest hurdle for the new private insurance companies as Indian customers were reportedly rather sceptical about them. Hence, the new companies focused their campaigns primarily on building an image of trustworthiness and reliability for themselves. Secondly, their advertisements focused on insurance as an investment option and not a mere tax saving tool - another first for the Indian market. The private companies thus initiated a change in projecting the other benefits of life insurance.

With private players paying much attention to advertising and promotional activities, LIC, too, was forced to make efforts to increase its visibility and enhance its brand image. The company commenced intense, systematic and well-focused public relations and publicity activities both at the corporate and operational levels. Several sports events were co-sponsored by the company and special publicity activities with a social purpose were undertaken and the efforts were also supported with a few print advertisements. Traditionally, LIC used to target either middle-aged people or elderly ones. But private insurers targeted individuals in all age groups, in their advertisement campaigns. According to reports, in the first quarter of 2002 insurance companies spent about 70% of what they spent in entire 2001, on advertising and publicity.

However, during the first year of the entry of new players, it was LIC which reported a phenomenal growth of over 250%, whereas private insurers managed to garner only about 0.5% market share; this in spite of private insurance companies spending hefty amounts on advertising and promotion. Experts say that LIC’s business increased during this time mainly because of the increased public awareness about insurance, in general, and this was brought about by the heavy marketing efforts (mainly, advertisement campaigns) of private players. Also during this period consumers trusted the state owned long time insurer LIC, more than any other company, due to security and safety perceptions. Trust was the underlying factor here, more than the flexibility offered by private insurers. Another point to note was that most of LIC’s sales came from the smaller rural sectors. This actually constitutes the largest untapped insurance market in India. However, the private insurers either did not consider this market important enough or failed to tap the rural markets due to their limited reach. They focused their marketing efforts only on metropolitan areas that were limited.

This research paper attempts to study various literatures published from time to time on life insurance marketing. It aims to find how various companies managed their marketing efforts and tackled or changed their promotion strategies in view of ever increasing competition, expectations of people and the changing perception among people on the very purpose of buying life insurance.

LITERATURE REVIEW

A study of the literature from research papers and articles, published prior to the advent of private insurance players, indicates that the research in life insurance marketing mainly focussed on customer service and bringing improvements therein. LIC of India was the only operator. In absence of competition, other aspects probably did not matter much to the researchers. Pre liberalization studies (i.e., those conducted before year 2000) indicated that majority customers were generally satisfied with the services of LIC of India, the state owned insurer. This was somewhat surprising, given the general opinion carried by people that public sector companies are inefficient. Also, LIC had no competition before the liberalization of Indian economy and hence people had limited expectations from it.
The product portfolio of LIC was also limited then and a considerable number of people bought life insurance for more of tax and savings purpose than as a tool for financial planning. This is amply corroborated by Vyas & Joshi (2006) in their study, which found that about 75% LIC policies were bought during January to March period, every year, and the rest 25% during the other nine months of the year. Another issue with LIC could be that it was directly dealing with people’s money and had to be accountable for it, especially in terms of claims settlement, money back, etc. and hence, could ill afford to not satisfy its customers. LIC’s focus too, thus, was on consumer satisfaction. It relied on its existing strength and the fact that it was a state owned enterprise, thereby putting innovative marketing practices on the back seat.

The literature studied on life insurance marketing is classified under the following heads:
1. Growth of life insurance in India
2. Consumer behaviour in life insurance
3. Promotion of life insurance in India

1. Growth of life insurance in India:

Studies prior to privatisation of the life insurance sector dealt with relationship between life insurance agents and the Life Insurance Corporation (LIC). The agents looked at LIC as a good income generator and they were generally happy with premium charged to customers and bonuses declared from time to time (Arora, D., 1992). LIC had a vast network of life insurance agents and a huge chunk (more than 95%) of its business came from this network of agents. Other channels of distribution were not explored by it, probably due to the traditional impression that life insurance needs to be sold and that people on their own would not buy it. One other interesting fact that came forward was that LIC’s operational expenditure was 12% less than its total income, thus indicating a dire need for professionalism to be brought in and expenditure controlled (Gahelot, B.D., 2000); this would improve LIC’s financial performance significantly and make it more profitable – LIC could afford this until then due to absence of competition.

Then came the landmark policy change wherein the insurance market was opened for private participation. LIC’s monopoly was challenged. However, it was not to be a mute spectator – during 2003-04 LIC’s number of agents doubled to 10,03,241 and average business/agent also doubled to Rs.21,97,675/-, as compared to 1996-97 (Rao, 2005). Plenty of companies were waiting to enter the Indian life insurance market. The new policy saw them enter the huge, untapped Indian market by way of joint ventures with foreign partners. During this time the Indian economy was also looking up with increasing per capita income and improved saving rates. Insurance penetration was set to improve with new product offerings at competitive prices by various newly launched companies. Studies on awareness of new companies revealed that majority people became aware of the new companies through their friends and they preferred these new private companies due to high risk cover, attractive schemes and reasonable premium (Raman & Gayathri, 2004).

By year 2005 fourteen companies started operating in the Indian life insurance space. It was in 2011 that a total of twenty-four companies, including LIC, were operating with Edelweiss Tokio being the last entrant in this highly competitive life insurance market. LIC was the biggest player and is still so, with over 2000 officers and huge staff. The advent of private players resulted in pressure mounting on LIC to improve its efficiency and customer service in the face of competition, although it was (and still is) far ahead of its competitors. In spite of all this action taking place, the life insurance penetration in India stood at an abysmal 2% only and per capita insurance premium was Rs.550/- (Jagendra Kumar, 2005). The Indian life insurance sector is second largest source of saving and that it constitutes 15% of GDP savings. But almost all the private companies failed to capture the rural markets. With income, savings and general economy steadily improving this situation presented a promising opportunity to all the private companies to establish themselves and conduct business. The life insurance penetration was too low when compared to many other countries and the private companies were upbeat at the prospects of market expansion.
The market expansion phase had already begun and private companies used several marketing and promotional tactics to make best use of the opportunity. They vied with each other to make their presence felt and to differentiate themselves from others. Each of the existing companies made sincere efforts to gain a foothold in the life insurance market. Increasing competition called for companies to undertake more research on use of IT, Bankassurance, customer relationship management (CRM) and other digital tools to manage huge databases and excellent customer communication. The Malhotra Committee recommendations which had suggested structural changes aimed at growth and reforms had resulted in far reaching impact. This was evident from the increase in life insurance penetration that had almost doubled to 3.6% (Vyas & Joshi, 2006).

The newly introduced private life insurance companies adopted a marketing approach to conducting business. On one hand they had to create awareness and on the other they also had to tackle competition, which was increasing day by day as more companies jumped into the fray. Vanniarajan & Balasenthil (2008) studied various customer segments for growth of life insurance. They classified the market in four segments – urban customers of public sector companies, rural customers of public companies, urban customers of private companies and rural customers of private companies. Important quality dimensions of the market and also those specific to the four market segments were identified. Service to customers, agent, product and technology were the four dimensions. Marketing strategies customised to quality dimensions important to each segment were the need of the hour. The market kept of increasing and with the help of JVs formed by Indian companies with foreign companies, product mixes of the private companies changed and were now comparable to international standard. It was generally projected that it took about 7-8 years for life insurance companies to break even. As a result, they now started establishing branch offices in various parts of India in order to expand their reach into untapped markets. One other change that distinguished the private companies from LIC was that they also started bringing new and innovative forms of distribution (Alamelu, 2011).

Competition in the life insurance market kept on increasing and in 2011 a total of 24 companies were operating (including LIC). A period of 10 years elapsed since opening of the Indian market to private participation. It took some time for private companies to establish and make their presence felt on the life insurance landscape. Market was expanding and a positive growth was seen in the market after 2006-07. Total premium rose from 156,041.59 Cr. in 2006-07 to 291,604 Cr. in 2010-11 (Fulzele, Vishnu, 2012).

2. Consumer behaviour in life insurance:

In an era where there was no competition and LIC had a monopoly in the Indian life insurance market, studies were mainly focussed on customer satisfaction. During this time the importance of agents was at its peak and LIC was one company whose entire business depended on its agents. It was known that agents used to give negative feedback on certain insurance plans that fetched them low commissions and incentives. Good relations with customers were essential and a strong service was needed.

However, in a study conducted by Reddy & Murthy (1996) at branch level, majority of customers were found to be satisfied. But the Indians generally had faith in Government establishments, including LIC. As a result LIC was able to maintain its stronghold over the Indian markets for decades. This was in contrast to the Chinese psychology, where majority consider life insurance as equivalent to saving and life insurance agencies are looked upon with mistrust and merely as money grabbing institutions.

Studies on consumer satisfaction continued even after opening of the insurance sector to private participation. Majority of LIC customers and also those few who had bought from private players in initial couple of years were satisfied with the service they received. Those customers that were dissatisfied with the service had reasons like difficulty in depositing premium, lack of awareness on new products/policies, risk cover and housing loans for their dissatisfaction (Saibaba, et. al., 2002). This provided enough reason for life insurance companies to mop up their communication with both existing and intended customers. For after-sales service like premium
payments, renewal dates, fund statements, switching to new products, etc. customers expect timely communication from company, mainly from the agent/adviser concerned. They preferred communication by way of SMS, for this purpose, because of its effectiveness. Quality of relationship of company with its customers began to matter due to competition from several companies operating in the market. Both, service quality and quality of relationship with customers has a strong impact on satisfaction, value and behaviour of customers. Service quality and quality of relationship are significant predictors of value perception, customer satisfaction and thereby customer behaviour.

In spite of everything, consumer satisfaction remains the root factor for consumer behaviour and future purchases. This is particularly so because customers new opt for multiple policies due to variety of product availability in life insurance. Companies are providing different solutions to different customer needs at different stages of life. Upadhyaya & Badlani (2011) studied the success factors for consumer satisfaction in life insurance industry. The study revealed that time had come for all companies to make best use of technology in service delivery mechanisms, since service performance was linked to consumer satisfaction. The need to enhance inter-personal relations with customers was even greater now and technology was needed to be integrated by companies for this purpose.

3. Promotion and life insurance in India:
   The traditional marketing mix consists of the four Ps of marketing, namely product, place, price and promotion. However, being a service, life insurance calls for the other three (soft) Ps of marketing also, namely people, processes and physical evidence. ‘Promotion’ as an element of the marketing mix assumes more importance with most of the other Ps being more or less at the same level among various competitors. Promotion is basically a communication from the company to its markets/customers to convey value proposition(s). Depending on the element of the promotion mix used, there may or may not be any intermediaries involved. The elements of promotion mix are advertising, publicity, sales promotion, direct marketing, personal selling, public relations, word-of-mouth and telemarketing. These are used singly or in combination with other elements depending on whether the communication is a mass communication or whether only a chosen few are to be targeted.

   Study of literature on promotion in insurance brought some interesting facts to the fore. Use of intermediaries in promotion lends a lot of scope for unethical practices to be followed. Some of these are promoting inappropriate products, non-disclosure of privacy and security problems, using misleading information on competition, negative publicity of competitors, etc. while this happens the perpetrators give no importance to the company’s views on ethical practices (Sadri & Sorab, 2009). Promotion in insurance sector can be direct or indirect. It can be for the trade (channel) or for the customers. In insurance the stress is more on consumer promotion. This is so because the customers first of all need to be made aware of the concept of insurance, it being an intangible product. Hence, communicating benefits to customers assumes more importance than communicating features of insurance products. Due attention is needed for selecting promotion tools and training sales personnel in using them, since they ensure not only a decent market share but also consumer mind share. Advertising, personal selling and word of mouth are the chief promotion elements for a life insurance company (Shameem & Gupta, 2012).

   Public relations, also an element of the promotion mix, is an effective tool for image building and has been used by insurance companies in the rural markets. LIC has already created a position in the rural markets and private companies realise that they cannot match its image of corporate responsibility and social development. Hence private companies have attempted influencing the rural masses by organizing health camps, recreation facilities for children, etc. to get their confidence. However, the rural population prefers a personal approach over professional one. Also, private companies generally use English for sales communication and also in literature and media. Over and above this, their strategies are designed by urban executives; these realities create hurdles
for private companies in establishing communication channels with the Indian rural masses (Nirmal, 2012).

Advertising is undoubtedly the most important and effective (also, perhaps the most expensive one) of the promotion mix elements. Companies cannot do without this and they should judiciously use advertising to make consumers realise the need for insurance (i.e. risk cover) in case of unfortunate eventuality. Research carried and literature on this points that companies must use emotional advertising to make consumers realise the above fact through drama (in advertising). Advertising has changed and evolved over the last years and today companies are using emotional advertising as an effective plank. Although emotional advertising is indirect, it is persuasive. Consumers’ psychology, emotions and social needs are appealed through this. Fear, love, hate, greed, desire and humour are some important emotions that are appealed through such advertisements. Emotional advertising can create psychological tension, which can be resolved by purchase of the product/service – in this case the insurance product (Jethani & Turani, 2012).

With competition in life insurance market heating up, post liberalization, the need to focus more on promotion mix elements also increased proportionally. These elements are needed to be used very judiciously, since they are largely responsible for building and maintaining image of the company among customers and they also incur lot of costs. Post liberalization (year 2000), visibility of insurance companies increased dramatically on TV, print, outdoor and other media channels. The life insurance industry started moving from tax saving orientation to being market driven. Phenomenal shift was also noticed in advertisement content from traditional themes to creative ones by taking the emotional route. By and large private life insurance companies were able to make emotional connect with prospective customers (Jaiswal & Gupta, 2016). Technical and service excellence became the key success factors. Aggressive promotion campaigns of private insurance companies forced LIC to rework its target markets and increase its own visibility and polish its brand image. As a result LIC included young executives and working women in its target market; something it had not done hitherto. The flurry of advertising and promotion bursts by various private companies benefited LIC more than others, due to the ‘safety’ tag associated with LIC (Rajkumar & Kannan, 2014).

Not much of literature was found on ‘personal selling’ as a promotion mix element. Life insurance, although a matter of solicitation, needs to be promoted with patience and care. Without establishing interpersonal relations it is almost impossible to convince prospects to buy life insurance, which is intangible. In view of this, personal selling assumes tremendous importance and cannot be neglected at any cost. Hence it is felt by the researcher that scope exists for research to be conducted in this area also.

CONCLUSION

The review of various literatures undertaken by the researcher on life insurance marketing presents an opportunity to make conclusions as enumerated below:

1. The importance of promotion in life insurance marketing has increased over the years. This is mainly due to two reasons – (a) expansion of life insurance markets due to continuous efforts of companies to increase awareness among the masses and (b) tremendous competition among the now existing twenty-four companies, including state owned Life Insurance Corporation of India (LIC), to establish and try for a bigger market share.
2. With most of the marketing mix elements being comparable among most of the companies, currently, they now need to focus their energies on the ‘promotion’ aspect of marketing in order to differentiate themselves from others and to enhance their communication with their intended market. This will enable the companies to drive their business objectives in the target market in the back-drop of LIC still controlling close to 70% of the Indian market.
3. The advent of social media on internet presents more opportunities for companies to be more creative in communicating with their target customers. Companies can explore how they can best utilise the social media platform to promote business and communicate their offering to...
prospective customers. SMS was reported to be the most preferred communication mode among customers for after sales service, as was indicated by studies.

4. Advertising remains the main pillar for promotion of life insurance. It is the most effective one but also the most costly one. Companies make use of a judicious mix of various elements of the promotion mix to communicate its intended message/content with its target markets. With lot of concept selling and convincing required to sell life insurance, companies need to make sure that personal selling as a promotion mix element is properly utilised. Proper selection of sales personnel and their training is important here.

5. Companies will have to continue with their presence in print and TV advertisements as this will ensure better brand awareness and also greater recall. This can then be complemented with other promotion mix elements like personal selling, sales promotion and public relations.

6. Life insurance companies need to look at word of mouth also as a promotion mix element. They need to explore how firm induced word-of-mouth promotion can be initiated to increase business possibility.

REFERENCES


